

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Twin County Airport Commission	County Menominee
Audit Date 9/30/04	Opinion Date 11/30/04	Date Accountant Report Submitted to State: 3/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 901 Ludington Street	City Escanaba	State MI	ZIP 49829
Accountant Signature <i>Anderson, Tackman & Company P.A.C.</i>		Date 3/31/05	

TWIN COUNTY AIRPORT COMMISSION

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2004

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Twin County Airport Commission
Twin County Airport
Menominee, Michigan

We have audited the accompanying financial statements of the business-type activities, major fund information of the Twin County Airport Commission, as of and for the year ended September 30, 2004, which collectively comprise the Airport's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Twin County Airport Commission management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities, and major fund information of the Twin County Airport Commission, as of September 30, 2004, and the respective changes in financial position and cash flows thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Airport has implemented a new financial reporting model, as require by the provisions of *GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of September 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2004, on our consideration on the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

Members of the Twin County Airport Commission
Twin County Airport

the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Twin County Airport Commission's basic financial statements. The schedules listed as supplementary are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Andersen, Tackman & Company P.C.

Certified Public Accountants

November 30, 2004

**TWIN COUNTY AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Using This Annual Report

The Twin County Airport Commission's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the Airport's financial activity; (c) identify changes in the Airport's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

Reporting the Road Commission as a Whole

The statement of net assets and the statement of activities report information about the Airport as a whole and about its activities in a way that helps answer the question of whether the Airport as a whole is better off or worse off as of a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method, used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Airport's net assets and the changes in them. The reader can think of the Airport's net assets (the difference between assets and liabilities) as one way to measure the Airport's financial health or financial position. Over time, increases or decreases in the Airport's net assets are one indicator of whether its financial health is improving or deteriorating.

Reporting the Airport's Major Fund

Our analysis of the Airport's major fund begins on page 7. The Airport has only one fund, the general operations fund, in which all of the activities are accounted. The general operations fund is an enterprise fund type.

The Airport as a Whole

The Airport's net assets increased approximately 58% from \$450,000 to \$4.7 million for the year ended September 30, 2004. The net assets and change in net assets are summarized below.

Operating revenues were \$70,718 in 2004 compared with \$106,056 in 2003, a decline of \$35,338 or 33.3%, due mainly to the decline in fuel sales. Gross profit from fuel sales declined \$36,812 or 52.4% between 2004 and 2003. Reasons for the decline in fuel sales is directly the result of increasing fuel prices throughout 2004. The cost of 100LL fuel at year-end of 2004 was \$2.11 per gallon compared with \$1.74 at year-end of 2003, an increase of 21.3%. The cost of Jet fuel at year-end of 2004 was \$1.47 per gallon compared with \$1.28 at year-end 2003, an increase of 14.8%. The increasing fuel prices also resulted in lower profit margin per gallon sold during 2004 compared with 2003.

Management's Discussion and Analysis (continued)

Non-operating revenues (net of non-operating expenses) were \$320,442 in 2004 compared with \$184,619 in 2003, an increase of \$135,823 or 73.6%, due to the change in recording capital grants under GASB 34 implementation. In prior years, capital grants were not recognized as grant revenue nor capital asset additions of the Airport. The Airport received \$167,370 in federal capital grant revenue and \$6,952 in state capital grant revenue during the fiscal year 2004.

Operating expenses were \$303,906 during the fiscal year 2004 compared with \$283,980 in 2003, an increase of \$19,926 or 7.0%. The Airport experienced moderate increases in payroll and benefit costs of \$23,000 or 15.8% and depreciation expense of \$7,021 or 12.5%, while maintenance expenses declined \$10,322 or 45.2% and marketing expenses declined \$3,824 or 64%. All other operating expenses during the fiscal year 2004 were comparable with the prior year.

It is important for the reader to realize that the increase in net assets is largely a result of the Airport commission electing to prospectively report infrastructure assets for the year ended September 30, 2004 as allowed by GASB 34. Without the implementation of GASB 34, the Airport would have experienced a decline in net assets of \$78,835.

Net assets as of the year ended September 30, 2004 and 2003 are as follows:

	<u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>
Current and Other Assets	\$ 81,573	\$ 180,649
Capital Assets (net of depreciation)	<u>4,644,259</u>	<u>268,947</u>
Total Assets	<u>\$ 4,725,832</u>	<u>\$ 449,596</u>
Current Liabilities	\$ 13,200	\$ 27,545
Long-term Liabilities	<u>15,542</u>	<u>12,791</u>
Total Liabilities	<u>\$ 28,742</u>	<u>\$ 40,336</u>
Net Assets:		
Invested in Capital Assets	\$ 4,644,259	\$ 268,947
Restricted	<u>52,831</u>	<u>140,313</u>
Total Net Assets	<u>\$ 4,697,090</u>	<u>\$ 409,260</u>

A summary of changes in net assets for the year ended September 30, 2004 and 2003 are as follows:

	<u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 70,718	\$ 106,056
Operating expenses	<u>303,906</u>	<u>283,980</u>
Operating Loss	<u>(233,188)</u>	<u>(177,924)</u>
Non-operating revenues	320,996	184,619
Non-operating expenses	<u>(554)</u>	<u>(100)</u>
Increase in Net Assets	<u>\$ 87,254</u>	<u>\$ 6,695</u>

Management's Discussion and Analysis (continued)

Budgetary Highlights

Prior to the beginning of any year, the Airport's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Airport Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes expenditures throughout the year.

Actual revenue was higher than originally budgeted by the amount of \$165,940 as a result of capital grant revenues being recorded under the requirements of GASB 34.

Actual expenses were higher than originally budgeted by the amount of \$61,573, due to the Airport not budgeting for depreciation expense during the fiscal year. Actual depreciation during fiscal year 2004 amounted to \$63,285.

The Airport Commission did not find it necessary to amend the original budget during the fiscal year, therefore, the original budget is the same as the final amended budget shown in the Statement of Revenues, Expenses, and Changes in Net Assets - Budget to Actual.

Capital Asset and Debt Administration

Capital Assets - As of September 30, 2004, the Airport has \$10,809,320 invested in capital assets as follows:

Capital Assets Not Being Depreciated:	
Land and improvements	\$ 2,678,515
Other Capital Assets:	
Land improvements - infrastructure	7,146,078
Buildings	395,698
Leasehold improvements	62,262
Equipment	478,208
Office equipment	6,010
Vehicles	<u>42,549</u>
Total Capital Assets at Historic Cost	<u>10,809,320</u>
Total Accumulated Depreciation	<u>6,165,061</u>
Total Net Capital Assets	<u>\$ 4,644,259</u>

Debt - The Airport has long-term liabilities in the amount of \$9,367, which represents the non-current portion of compensating absences.

Economic Factors and Next Year's Budget

The Airport expects economic factors in 2005 to be comparable with those experienced in 2004. In addition, the Airport is expecting federal and state funding for a fence replacement project estimated at a total cost of \$484,000. The expected funding of federal funds is \$459,800 with state and local funds amounting to \$12,100 each.

Management's Discussion and Analysis (continued)

Contacting the Airport Commission's Financial Management

This financial report is designed to provide the public, citizens and other interested parties, a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Twin County Airport Commission's administrative offices at 2801 North 22nd Street, Menominee, Michigan 49858.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF NET ASSETS

September 30, 2004

ASSETS

	<u>2004</u>
CURRENT ASSETS:	
Cash and equivalents	\$ 57,131
Accounts receivable	5,262
Inventory	10,436
Prepaid expenses	<u>8,744</u>
TOTAL CURRENT ASSETS	<u>81,573</u>
CAPITAL ASSETS	10,809,320
Less accumulated depreciation	<u>(6,165,061)</u>
NET CAPITAL ASSETS	<u>4,644,259</u>
TOTAL ASSETS	<u>\$ 4,725,832</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 5,694
Accrued payroll and benefits	1,618
Accrued sales tax	707
Compensated absences	<u>5,181</u>
TOTAL CURRENT LIABILITIES	<u>13,200</u>
NON-CURRENT LIABILITIES:	
Compensated absences	<u>15,542</u>
TOTAL LIABILITIES	<u>28,742</u>
NET ASSETS:	
Invested in capital assets	4,644,259
Unrestricted	<u>52,831</u>
TOTAL NET ASSETS	<u>4,697,090</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,725,832</u>

See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2004

	<u>2004</u>
OPERATING REVENUES:	
Fuel:	
Sales	\$ 113,141
Cost of sales	<u>(79,766)</u>
GROSS PROFIT	<u>33,375</u>
Rental income	26,987
Landing fees	2,342
Service/handling fees	3,571
Consumables (oil, etc.)	1,571
Other	<u>2,872</u>
TOTAL OPERATING REVENUES	<u>70,718</u>
OPERATING EXPENSES:	
Salaries and wages	119,019
Social security	8,800
Health insurance	41,086
Office supplies	989
Equipment fuel	3,834
Professional services	3,250
Dues and licenses	985
Telephone	2,046
Travel	4,628
Insurance	22,388
Utilities	18,712
Maintenance - equipment	5,223
Maintenance - building and grounds	7,293
Marketing	2,151
Depreciation	63,285
Office expense	<u>217</u>
TOTAL OPERATING EXPENSES	<u>303,906</u>
OPERATING INCOME (LOSS)	<u>(233,188)</u>
NON-OPERATING REVENUES (EXPENSES):	
Capital Grants:	
Federal	167,370
State	6,952
Appropriations:	
Marinette County	72,500
Menominee County	72,500
Interest income	1,674
Loss on disposal of fixed assets	<u>(554)</u>
TOTAL NON-OPERATING REVENUES	<u>320,442</u>
NET INCOME (LOSS)	87,254
Net assets, beginning of year, as previously reported	409,260
Prior period adjustment (see note G)	<u>4,200,576</u>
Net assets, beginning of year, as adjusted	<u>4,609,836</u>
NET ASSETS, END OF YEAR	<u>\$4,697,090</u>

See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

For the year ended September 30, 2004

	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 148,984
Cash payments to employees for services	(169,730)
Cash payments to suppliers for goods and services	<u>(157,233)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(177,979)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Appropriations	<u>145,000</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital grants received	174,322
Payments for capital acquisitions	<u>(238,575)</u>
NET CASH (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(64,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipts of interest	<u>1,674</u>
NET (DECREASE) IN CASH AND EQUIVALENTS	(95,558)
CASH AND EQUIVALENTS, beginning of year	<u>152,689</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 57,131</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(224,955)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	63,285
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,500)
(Increase) decrease in inventory	5,780
(Increase) decrease in prepaid expenses	(762)
Increase (decrease) in accounts payable	(10,769)
Increase (decrease) in accrued payroll and benefits	(8,707)
Increase (decrease) in other accrued liabilities	<u>(351)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (177,979)</u>

See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Menominee-Marinette Twin County Airport (the "Airport") is a joint venture formed on September 15, 1975 by written agreement between the County of Marinette, Wisconsin and the County of Menominee, Michigan. The agreement specifies that the Airport will be managed by a Twin County Airport Commission composed of six members with three appointed by each of the respective County Boards. The joint venture was formed to operate the airport formerly known as the "Menominee County Airport." The following is a summary of the more significant policies:

(1) Fund Accounting - The Airport operates as an Enterprise Fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. When both restricted and unrestricted resources are available for use, it is the Airport Commission's policy to use restricted first, then unrestricted resources as they are needed.

(3) Cash and Equivalents - Cash and equivalents include change funds, un-deposited funds, and amounts held in demand accounts by the Airport and by the Treasurer of Menominee County.

(4) Allowance for Doubtful Accounts - An allowance for doubtful accounts has not been established as it is the Airport's policy to use the direct write-off method for accounts deemed to be uncollectible.

(5) Inventory - Inventory consists of aircraft fuel held for resale. It is valued at cost using the first-in, first-out method.

(6) Capital Assets - For financial reporting purposes the Airport, an enterprise fund, capitalizes fixed asset acquisition and construction costs and classifies those costs as "capital assets" on the Statement of Net Assets. These capitalized costs are then recorded as expenses of the fund through depreciation over the estimated useful lives of the particular assets, primarily on the straight-line basis.

Marinette County and Menominee County each have an undivided one-half interest in all property and equipment acquired since formation of the

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

joint venture. Infrastructure and other airport related assets that are the property of the counties are included in the basic financial statements of the Airport as required within the implementation of GASB 34, and has reported the infrastructure assets in the statement of net assets on a prospective basis.

(7) Compensated Absences - Airport policy allows employees to accumulate unused sick and vacation hours. Employee shall receive payment for 50% of all accrued sick leave earned, to a maximum of 45 days sick leave upon leaving employment of the Airport in good standing.

(8) Income Taxes - The Airport is a governmental entity and is exempt from federal and state income taxes.

(9) Charges for Services - The amounts charged for services, rental and sales of aircraft fuel are set by the Twin County Airport Commission.

(10) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(11) GASB 34 - During the year the Airport adopted the Governmental Accounting Standards Board Statement No. 34. This adoption has added a Management's discussion and analysis that precedes these financial statements. All other changes are relatively insignificant to the financial statement. The Airport applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the balance sheet is presented below:

Petty cash	\$ 189
Demand deposits with financial institutions	<u>56,942</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 57,131</u>

State statutes authorize the Twin County Airport Commission to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE B - CASH AND EQUIVALENTS (continued)

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptance of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. Investment pools organized under the local government investment pool act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE B - CASH AND EQUIVALENTS (continued)

The cash and equivalents are classified by GASB Statement No. 3 in the following categories:

<u>Bank Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
On hand	\$ -	\$ 189
Insured	61,593	56,942
Uninsured	-	-
	<u>\$ 61,593</u>	<u>\$ 57,131</u>

NOTE C - CAPITAL ASSETS

Following are the details of recorded capital assets together with the related accumulated depreciation as of September 30, 2004:

	<u>9/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/04</u>
Capital Assets Not Being Depreciated:				
Land	\$ 11,715	\$ 2,666,800	\$ -	\$ 2,678,515
Other Capital Assets:				
Land improvements and infrastructure	-	7,146,078	-	7,146,078
Buildings	395,698	-	-	395,698
Leasehold improvements	60,166	2,600	504	62,262
Equipment	144,268	334,614	674	478,208
Office equipment	6,010	-	-	6,010
Vehicles	42,549	-	-	42,549
	660,406	10,150,092	1,178	10,809,320
Less accumulated depreciation	<u>(391,459)</u>	<u>(5,774,225)</u>	<u>(623)</u>	<u>(6,165,061)</u>
UNDEPRECIATED COST	<u>\$ 268,947</u>	<u>\$ 4,375,867</u>	<u>\$ 555</u>	<u>\$ 4,644,259</u>

Total capital asset additions for 2004 were \$238,575. Federal and state grants paid for \$174,322 of current year additions. Disposals of capital assets amounted to \$1,178.

Useful lives of capital assets are as follows:

Land improvements & infrastructure	10-20 years
Buildings	10-25 years
Leasehold improvements	7-20 years
Equipment	5-25 years
Office equipment	5- 7 years
Vehicles	5-10 years

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Depreciation expense was \$63,285 for the fiscal year.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE D - PENSION PLAN

The employees of the Menominee-Marinette Twin County Airport are treated as employees of Menominee County. All full-time Airport employees are covered by a municipal employee retirement system in which Menominee County participates. Pension plan contributions for 2004 were \$0 as a result of the plan being over funded by \$155,898. Total wages for 2004 were \$110,786.

The contribution rate on participating wages is determined annually by independent consulting actuaries in accordance with Michigan Statutes. Other information on retirement commitments appears in Menominee County's annual financial report.

NOTE E - COMPENSATED ABSENCES

Changes in accumulated compensated absences is as follows:

	<u>9/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/04</u>
Vacation	\$ 4,041	\$ 216	\$ -	\$ 4,257
Sick	12,298	4,168	-	16,466
Personal	<u>716</u>	<u>-</u>	<u>716</u>	<u>-</u>
TOTAL	<u>\$17,055</u>	<u>\$ 4,384</u>	<u>\$ 716</u>	<u>\$20,723</u>

NOTE F - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the beginning balance of net assets in order to record capital assets acquired in prior years that are now required to be recorded by GASB 34. These capital assets acquired in prior years have amounted to \$4,200,576.

NOTE G - COMMITMENTS AND CONTINGENCIES

Grants - The Airport has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Airport. In the opinion of management, any such disallowed claims may have a material effect on any of the financial statements included herein or on the overall financial position of the Airport at September 30, 2004, however, management is unaware of any such claims.

Risk Management - The Airport is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Airport has purchased commercial insurance relating to medical benefit claims, general

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G - COMMITMENTS AND CONTINGENCIES (continued)

liability, auto, business package, pollution/storage tank and workers compensation. As of September 30, 2004, management is unaware of any claims.

SUPPLEMENTAL INFORMATION

TWIN COUNTY AIRPORT COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
NET ASSETS - BUDGET AND ACTUAL**

For the year ended September 30, 2004

	Original/ Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Fuel:			
Sales	\$ 135,000	\$ 113,141	\$ (21,859)
Cost of sales	(90,000)	(79,766)	10,234
GROSS PROFIT	45,000	33,375	(11,625)
Parking fees	400	-	(400)
Rental income	26,000	26,987	987
Landing fees	2,500	2,342	(158)
Service/handling fees	2,800	3,571	771
Consumables (oil, etc.)	400	1,571	1,171
Other	2,000	2,872	872
TOTAL OPERATING REVENUES	79,100	70,718	(8,382)
OPERATING EXPENSES:			
Salaries and wages	113,000	119,019	(6,019)
Social security	4,000	8,800	(4,800)
Health insurance	36,000	41,086	(5,086)
Office supplies	2,000	989	1,011
Equipment fuel	4,000	3,834	166
Professional services	2,000	3,250	(1,250)
Dues and licenses	700	985	(285)
Telephone	3,300	2,046	1,254
Travel	7,000	4,628	2,372
Insurance	23,300	22,388	912
Utilities	18,000	18,712	(712)
Maintenance - equipment	3,500	5,223	(1,723)
Maintenance - building and grounds	14,800	7,293	7,507
Marketing	1,000	2,151	(1,151)
Depreciation	-	63,285	(63,285)
Office expense	300	217	83
Miscellaneous	1,200	-	1,200
TOTAL OPERATING EXPENSES	234,100	303,906	(69,806)
OPERATING INCOME (LOSS)	(155,000)	(233,188)	(78,188)
NON-OPERATING REVENUES (EXPENSES):			
Capital Grants:			
Federal	-	167,370	167,370
State	-	6,952	6,952
Appropriations:			
Marinette County	77,500	72,500	(5,000)
Menominee County	77,500	72,500	(5,000)
Interest income	-	1,674	1,674
Loss on sale of fixed assets	-	(554)	(554)
TOTAL NON-OPERATING REVENUES (EXPENSES)	155,000	320,442	165,442
NEW INCOME (LOSS)	\$ -	87,254	\$ 87,254
Net assets, beginning of year, as adjusted (see Note G)		4,609,836	
NET ASSETS, END OF YEAR		\$4,697,090	

See accompanying notes to financial statements.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Members of the Twin County Airport Commission
Twin County Airport
Menominee, MI 49858

Audit Committee Communications

We have audited the basic financial statements of the Twin County Airport Commission for the year ended September 30, 2004, and have issued our reports thereon dated November 30, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Twin County Airport Commission. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Twin County Airport Commission are described in Note A of the financial statements.

Members of the Twin County Airport Commission
Twin County Airport

Significant Accounting Policies (continued)

With the exception of GASB No. 34, the effects of which are described in Note A of the financial statements, no new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Twin County Airport Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Twin County Airport Commission or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Members of the Twin County Airport Commission
Twin County Airport

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the basic financial statements of the Twin County Airport Commission, for the year ended September 30, 2004, we considered the Airport's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed many of these comments and recommendations with Management, and we will be pleased to discuss them in further detail at your convenience; or to assist you in implementing these recommendations.

This information is intended solely for the use of Twin County Airport and management of the Twin County Airport and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckman & Company P.L.C.
Certified Public Accountants

November 30, 2004

TWIN COUNTY AIRPORT COMMISSION

COMMENTS AND RECOMMENDATIONS

September 30, 2004

IMPROPER OUTSTANDING CHECK

Comment: During our audit of Airport cash, we discovered the cash balance was misstated by \$1,209 as a result of a check (#10407) being improperly classified as an outstanding check as of September 30, 2004. The check had cleared the bank in September of 2004.

Recommendation: We recommend this check be removed as an outstanding check and cash be adjusted accordingly.

CAPITAL ASSETS

Comment: Fixed assets required to be reported under GASB 34 are included in the September 30, 2004 financial statement, however, the assets have not yet been recorded on the books of the Airport.

Recommendation: We recommend all fixed assets of the Airport be recorded on the books.

CAPITALIZATION POLICY

Comment: The Airport does not have a Fixed Asset Capitalization Policy.

Recommendation: We recommend the Airport Commission adopt a Fixed Asset Capitalization Policy, which signifies a threshold in determining what amount of fixed asset additions will be capitalized or expensed. By adopting a threshold, it would provide basis for which assets need to be listed for the Airport. Also, it alleviates the time and effort of accounting for immaterial items below the threshold. We further recommend a threshold in the amount of \$5,000, or an amount that the Airport Commission deems more appropriate for the Airport. Any fixed assets purchased at or above the threshold amount will be required to be recorded as an asset of the Airport, whereas, any purchase below the threshold is recorded as an expense and not required to be included on the fixed asset listing which tracks and depreciates the assets over its useful life.

BUDGETING FOR DEPRECIATION EXPENSE

Comment: The Airport currently does not budget for depreciation expense within the adopted budget.

Recommendation: We recommend the Airport Commission include depreciation expense as a budgeted line item within the budget, in order to budget for the future replacement of fixed assets of the Airport.